

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Financial Statements

For the Years Ended August 31, 2006 and 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-28-07

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
FINANCIAL STATEMENTS
AUGUST 31, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the accompanying financial statements of the business-type activities of **West Ouachita Sewerage District No. 5** (the District), a component unit of the Ouachita Parish Police Jury, as of and for the years ended August 31, 2006 and 2005 which collectively comprise the District's basic financial statements as listed in the accompanying Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, published by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of August 31, 2006 and 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Board of Commissioners
West Ouachita Sewerage District No. 5**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise West Ouachita Sewerage District's basic financial statements. The Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Except for the Schedule of Insurance Coverage, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



(A Professional Accounting Corporation)

February 1, 2007

REQUIRED SUPPLEMENTAL INFORMATION

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A Component Unit of the Ouachita Parish Police Jury)
Management's Discussion and Analysis
For the Years Ended August 31, 2006 and 2005

Our discussion and analysis of the West Ouachita Sewerage District #5 (A Component Unit of the Ouachita Parish Police Jury – the District) provides an overview of the District's activities for the years ended August 31, 2006 and 2005. Please read it in conjunction with the District's financial statements.

Required Financial Statements

The Basic Financial Statements of the District report information about the District using the Governmental Accounting Standards Board's (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to the District's creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Assets. This statement measures the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its customer charges and other revenue sources. The final required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operating, noncapital financing, investing, and financing activities and to provide answers to such questions as "Where did cash come from?," "What was cash used for?," and "What was the change in cash balance during the reporting period?"

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the District's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net assets, the difference between assets and liabilities, are one way to measure the District's financial health. Over time, the increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

THE DISTRICT AS A WHOLE

A summary of the District's Statements of Net Assets is presented as follows:

Table 1

**Condensed Statements of Net Asset
as of August 31, 2006 and 2005**

	2006	2005	% Change
Current assets	\$ 4,036,740	\$ 3,894,996	3.64%
Restricted assets	1,078,858	1,041,835	3.55%
Capital assets, net of depreciation	<u>7,002,721</u>	<u>6,973,745</u>	<u>0.42%</u>
Total assets	<u>12,118,319</u>	<u>11,910,576</u>	<u>1.74%</u>
Current liabilities	171,389	210,978	-18.76%
Current liabilities payable from restricted assets	317,105	303,553	4.46%
Long-term liabilities	<u>1,658,816</u>	<u>1,813,143</u>	<u>-8.51%</u>
Total liabilities	<u>2,147,310</u>	<u>2,327,674</u>	<u>-7.75%</u>
Investment in capital assets, net of related debt	5,189,578	5,013,148	3.52%
Restricted net assets	915,664	885,087	3.45%
Unrestricted net assets	<u>3,865,767</u>	<u>3,684,667</u>	<u>4.91%</u>
Total net assets	\$ <u>9,971,009</u>	\$ <u>9,582,902</u>	<u>4.05%</u>

Investment in capital assets represents the District's long-term investment in capital assets, net of accumulated depreciation, and is not available for current operations.

The total net assets of the District at August 31, 2006 were \$9,971,009. Net assets can be separated into three categories: capital assets net of related debt, restricted, and unrestricted assets.

Net capital assets of \$5,189,578 consist of capital assets at original cost less depreciation and related debt. The original cost of capital assets less any capital disposals is \$16,992,559. Accumulated depreciation of \$9,989,838 is the aggregate depreciation expense since acquisition. Depreciation expense is recorded on the original cost of the asset expensed over the estimated useful life of the asset. Related debt of \$1,813,143 is composed of bonds used to purchase capital asset additions.

Restricted net assets of \$915,664 are to be used to retire the bonds issued by the District and provide the funds required by the bond indebtedness agreement for sewer repairs and replacement.

The unrestricted net assets of \$3,865,767 are an accumulation of prior years operating results. This balance is directly affected each year by the District's operating results.

A summary of changes in net assets is presented below:

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Net Assets
For the Years Ended August 31,

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Operating income	\$ 1,766,884	\$ 1,779,195	-0.69%
Operating expenses	<u>1,638,236</u>	<u>1,736,150</u>	<u>-5.64%</u>
Operating income (loss)	128,648	43,045	213.15%
Non-operating income and expense	211,386	73,883	186.11%
Capital contributions - developers	<u>48,073</u>	<u>69,010</u>	<u>-30.34%</u>
Increase in net assets	\$ <u><u>388,107</u></u>	\$ <u><u>185,938</u></u>	<u><u>108.73%</u></u>

Revenues for the District increased during 2006, primarily due to increased interest income attributable to higher interest rates received.

In 2006, the District's expenses decreased moderately. The net decrease in the District's expenses in 2006 was due to decreases in maintenance and repairs and professional fees and increases in insurance and salaries. In fiscal 2005, the District's expenses decreased slightly. The decrease in the District's expenses in 2005 was due to decreases in maintenance and repairs, salaries, and utilities.

BUDGETARY HIGHLIGHTS

The District's total revenues in fiscal year 2006 exceeded the final budget by \$29,867. The District's total revenues in fiscal year 2005 were \$57,735 more than the final budget. Actual expenses for the District in fiscal year 2006 were \$9,585 less than the final budget while expenses for 2005 exceeded the final budget by \$203,754. These variances reflect the changes in maintenance and repairs, professional fees, insurance, salaries, and utilities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2006 and 2005, the District had \$16,992,559 and \$16,506,677 invested in capital assets including buildings and improvements, furniture and fixtures, equipment, vehicles, infrastructure, and land (See table below).

Table 3
West Ouachita Sewer District No. 5's Capital Assets

	August 31,	
	<u>2006</u>	<u>2005</u>
Buildings and improvements	\$ 186,562	\$ 186,562
Furniture and fixtures	11,566	11,566
Equipment	191,580	147,547
Vehicles	162,268	162,268
Infrastructure	16,217,902	15,774,397
Construction in progress	12,774	14,430
Land	209,907	209,907
Total	<u>16,992,559</u>	<u>16,506,677</u>
Accumulated depreciation	<u>(9,989,838)</u>	<u>(9,532,932)</u>
Net capital assets	<u>\$ 7,002,721</u>	<u>\$ 6,973,745</u>

This year's major additions included lines, mains and manholes, lift stations, and additional work performed on the treatment plant. Also, there were new pumps and a vacuum trailer added during the fiscal year.

Debt

At August 31, 2006, the District had a total of \$1,813,143 in bonds payable that are comprised of revenue and general obligation bonds. The revenue bonds are secured and payable solely from the income to be derived from the operation of the system. The general obligation bonds are secured by a special tax in excess of all other taxes on all of the property subject to taxation within the territorial limits of the District. The bonds payable decreased approximately 7.5% as shown in the following table.

Table 4
West Ouachita Sewer District No. 5's Outstanding Debt
As of August 31,

	<u>2006</u>	<u>2005</u>
Bonds payable	<u>\$ 1,813,143</u>	<u>\$ 1,960,597</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's revenues are derived mainly from the sewerage fees received from its customers. The District does not anticipate any major increases or decreases in the fees to its customers. The sewerage fees may increase slightly due to new home construction and demand in the area in which the District operates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terry Cox, District Manager of the West Ouachita Sewerage District #5, 327 Wallace Road, West Monroe, Louisiana.

BASIC FINANCIAL STATEMENTS

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF NET ASSETS

ASSETS	August 31,	
	2006	2005
Current assets		
Cash and cash equivalents	\$ 3,756,871	\$ 3,591,108
Accounts receivable - customers	272,112	283,184
Prepaid insurance	-	16,554
Inventory	7,257	3,650
Deposits	500	500
Total current assets	4,036,740	3,894,996
Restricted assets (Note 3)		
Cash and cash equivalents	1,078,858	1,041,835
Capital assets		
Buildings and improvements	186,562	186,562
Furniture and fixtures	11,566	11,566
Equipment	191,580	147,547
Vehicles	162,268	162,268
Lines, mains and manholes	11,534,297	11,498,998
Lift station - pumps	1,576,505	1,542,029
Lift station - structures	1,788,288	1,460,409
Treatment plant	1,318,812	1,272,961
Total	16,769,878	16,282,340
Less: Accumulated depreciation	(9,989,838)	(9,532,932)
Net depreciable assets	6,780,040	6,749,408
Construction in progress	12,774	14,430
Land	209,907	209,907
Total capital assets	7,002,721	6,973,745
TOTAL ASSETS	\$ 12,118,319	\$ 11,910,576

The accompanying notes are an integral part of these financial statements.

	August 31,	
	2006	2005
LIABILITIES AND NET ASSETS		
Current liabilities		
Payable from current assets:		
Accounts payable	\$ 152,434	\$ 194,643
Accrued payroll and benefits	18,955	16,335
Total	<u>171,389</u>	<u>210,978</u>
Payable from restricted assets:		
Bonds payable (Note 5)	154,327	147,454
Accrued interest payable	53,128	51,379
Customer deposits	109,650	104,720
Total	<u>317,105</u>	<u>303,553</u>
Total current liabilities	<u>488,494</u>	<u>514,531</u>
Long-term liabilities		
Bonds payable (Note 5)	1,658,816	1,813,143
Total liabilities	<u>2,147,310</u>	<u>2,327,674</u>
Net Assets		
Investment in capital assets, net of related debt	5,189,578	5,013,148
Restricted net assets:		
Debt service	487,079	475,104
Sewer replacement and extension	428,585	409,983
Unrestricted net assets	<u>3,865,767</u>	<u>3,684,667</u>
Total net assets	<u>9,971,009</u>	<u>9,582,902</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,118,319</u>	<u>\$ 11,910,576</u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED

	<u>August 31,</u>	
	<u>2006</u>	<u>2005</u>
Operating income		
Sewerage fees	\$ 1,731,481	\$ 1,723,253
Inspection fees	27,700	37,050
New connection fees	5,500	7,466
Miscellaneous	2,203	11,426
Total operating revenues	<u>1,766,884</u>	<u>1,779,195</u>
Operating expenses		
Advertising	1,044	1,173
Bad debt expense	10,724	6,843
Collection expense	173,162	170,722
Commissioners' fees	2,040	2,640
Depreciation	456,906	445,816
Dues and subscriptions	432	599
Gas and oil	26,865	22,777
Insurance	94,905	78,200
Maintenance and repairs	110,099	238,556
Miscellaneous expense	690	155
New connection tap	1,100	7,268
Office expense	8,509	9,515
Payroll taxes	7,841	7,014
Pension and retirement expense	28,565	29,278
Postage	440	418
Professional fees	36,837	80,300
Salaries and wages	261,237	234,411
Telephone	5,218	7,379
Travel	2,318	2,665
Treatment plant operations	273,618	267,094
Utilities	135,686	123,327
Total operating expenses	<u>1,638,236</u>	<u>1,736,150</u>
Operating income	128,648	43,045

(Continued)

The accompanying notes are an integral part of these financial statements.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS (CONCLUDED)
FOR THE YEARS ENDED

	<u>August 31,</u>	
	<u>2006</u>	<u>2005</u>
Non-operating income (expense)		
Property tax and interest (net of pension of \$2,292 and \$1,574 for 2006 and 2005 respectively)	69,963	47,043
Interest earned	206,456	95,753
Franchise fees	31,807	21,233
Gain on sale of assets	-	5,013
Interest expense	(96,840)	(95,159)
Total Non-operating Income	<u>211,386</u>	<u>73,883</u>
Income before contributions	340,034	116,928
Capital contributions - developers	<u>48,073</u>	<u>69,010</u>
Changes in net assets	388,107	185,938
Net assets at beginning of year	<u>9,582,902</u>	<u>9,396,964</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 9,971,009</u></u>	<u><u>\$ 9,582,902</u></u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	August 31,	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,780,683	\$ 1,769,155
Other revenue	2,203	11,426
Payment to suppliers	(912,949)	(899,986)
Payment for employee services	(295,023)	(264,429)
Net cash provided by operating activities	<u>574,914</u>	<u>616,166</u>
Cash flows from noncapital financing activities		
Property tax millage	69,963	47,043
Franchise fee	31,807	21,233
Transfer of Customer Deposits Held by M-N Utilities	-	91,420
Net cash provided by noncapital financing activities	<u>101,770</u>	<u>159,696</u>
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	10,500
Contributions from developers	-	32,022
Purchase of capital assets	(437,810)	(173,329)
Principal paid on bonds	(147,454)	(140,671)
Interest paid on bonds	(95,091)	(101,323)
Net cash used by capital and related financing activities	<u>(680,355)</u>	<u>(372,801)</u>
Cash flows from investing activities		
Interest received	<u>206,456</u>	<u>95,753</u>
Net cash provided by investing activities	<u>206,456</u>	<u>95,753</u>
Net Increase in Cash and Cash Equivalents	202,785	498,814
Cash and Cash Equivalents at Beginning of Year	<u>4,632,944</u>	<u>4,134,130</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,835,729</u>	<u>\$ 4,632,944</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS (CONCLUDED)
FOR THE YEARS ENDED

	<u>August 31,</u>	
	<u>2006</u>	<u>2005</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 128,648	\$ 43,045
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	456,906	445,816
Bad debts	10,724	6,843
Repairs and maintenance transferred from construction in process	-	12,934
Accounts receivable	348	(11,914)
Prepaid expense	16,554	(11,985)
Inventories	(3,607)	-
Accounts payable	(42,209)	111,853
Accrued payroll and benefits	2,620	6,274
Customer deposits	4,930	13,300
Net cash provided by operating activities	<u><u>\$ 574,914</u></u>	<u><u>\$ 616,166</u></u>
 Supplemental Disclosure of Noncash Capital Investing Activities		
Contribution of sewerage collection system	<u><u>\$ 48,073</u></u>	<u><u>\$ 36,988</u></u>
Cash and cash equivalents on the balance sheet as:		
Current assets:		
Cash and cash equivalents	\$ 3,756,871	\$ 3,591,109
Restricted assets:		
Cash and cash equivalents	<u>1,078,858</u>	<u>1,041,835</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 4,835,729</u></u>	<u><u>\$ 4,632,944</u></u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Note 1 - Summary of Significant Accounting Policies

A. History

West Ouachita Sewerage District No. 5 (the District), was created on January 24, 1974, by the Ouachita Parish Police Jury, through adoption of Ordinance No. 7386, and therefore is a component unit of the Ouachita Parish Police Jury (the Police Jury) and is an integral part of the Police Jury reporting entity. As a governmental entity, the District is exempt from federal and state income taxes. It is governed by a board of commissioners composed of three property taxpayers residing within the District.

The District was constructed with an EPA grant, which financed 75% of the construction and engineering costs. Bonds were sold to provide the funds needed for the local share.

B. Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 14 *The Financial Reporting Entity* establishes criteria for determining which component units of governments should be considered part of a primary government for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Police Jury appoints a voting majority of the board of commissioners of the District and has the ability to impose its will upon the District, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying basic financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

C. Basis of Accounting

The District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities, and a statement of cash flows. It also requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowings attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets – This component of net assets consists of those net assets on which constraints have been placed externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued since November 30, 1989 unless they are adopted by GASB.

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. Their principal operating revenues are charges to customers for service. Customers are billed monthly for services received during the month. They also recognize as operating revenues the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Residential, commercial, multi-housing, and multi-unit services are charged \$15 per month.
 - a. The multi-housing is based on a 100% occupancy factor.
 - b. The multi-unit is based on a physical count each month.
2. Institutional billing is based on monthly water use at \$15 per 8,000 gallons used.
3. Industrial billing is based on average monthly water use plus Industrial Cost

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Recovery factor and surcharge for excessive pollutant concentration.

The District provided services to 8,256 and 8,243 residential customers and 377 and 367 institutional and industrial customers at August 31, 2006 and 2005, respectively.

D. Accounts Receivable

Receivables are primarily composed of amounts due from customers located within the district. The direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The difference between the use of the direct write-off method and the allowance method for accounting for bad debts is not material to the financial statements of the District.

E. Inventory

Inventory consists entirely of pump motors and is valued at estimated recoverable cost as determined by specific identification method.

F. Property and Equipment

Upon completion of new subdivisions, developers donate their system to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution.

The District considers assets with an individual cost of \$500 or more and an estimated useful life of one year or more as a capital asset. Property and equipment are recorded at their historical cost and depreciated on the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Buildings and Improvements	15-40 Years
Lift Station Structure	40 Years
Lift Station Pumps	20 Years
Gravity Lines, Force Mains, and Manholes	40 Years
Equipment	3-20 Years
Vehicles	5 Years
Furniture and Fixtures	3-15 Years

Interest on the bonds and interim notes during the construction period through January 29, 1985, and all costs associated with the bond issue, have been added to the cost of the constructed assets and are being depreciated accordingly. Customers are billed a flat rate for new connection taps which covers the cost of the tap to the District; therefore, new connection costs are expensed rather than capitalized.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

G. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Compensated Absences

The District's policy for paid vacation, which is non-cumulative, is as follows:

Employment 1 – 3 years	1 week per year
4 – 9 years	2 weeks per year
After 9 years	3 weeks per year

Employees accrue sick leave as follows:

Employment less than 6 months	0 days per year
6 months – 1 year	4 days per year
1 – 3 years	8 days per year
After 3 years	12 days per year

Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. An employee will be compensated up to a maximum of 30 days accumulated sick leave only upon normal retirement. The financial statements do not include any accruals for compensated absences because the amount cannot be reasonably estimated.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Minor reclassifications have been made to the prior year financial statements to make them comparable to the current year's presentation.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Note 2 - Cash and Investments

Under state law, the District may invest funds in demand deposits, money market accounts, or in time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

At August 31, 2006, the District has cash and cash equivalents totaling \$4,835,729 as follows:

Demand deposits	\$ 4,835,634
Petty cash	95
Total	<u>\$ 4,835,729</u>

Custodial credit risk - deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposits with the fiscal agent. These securities are held in the name of the pledging fiscal agent in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents at August 31, 2006 are secured as follows:

Bank balances	<u>\$ 4,836,110</u>
Federal deposit insurance	\$ 100,000
Pledged securities	<u>5,000,000</u>
Total	<u>\$ 5,100,000</u>

Note 3 - Restricted Assets

Under terms of the revenue bond indentures, the District is required to establish and maintain a bond reserve fund equal to 5% of the principal and interest payment requirements until this fund reaches \$159,984 (the highest annual debt service payable in any future year) which is fully funded. Tax collections for fiscal year 2006 and 2005 in the amounts of \$69,963 and \$47,043, respectively, were received from a special tax assessment in 2005 and 2004 of 1.10 mills and 2.25 mills, respectively. This tax assessment is restricted for the payment of general obligation bond principal and interest. In addition, \$650 per month must be transferred to a sewer replacement and extension fund and one-twelfth of the current year's principal and interest on revenue bonds must be deposited monthly into a bond and interest redemption fund.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Restricted assets were composed of the following:

	August 31,	
	2006	2005
Cash and cash equivalents		
Bond and interest redemption fund	\$ 215,707	\$ 223,471
Bond reserve fund	324,500	303,012
Sewer replacement and extension fund	428,585	409,983
Customer deposits	110,066	105,369
TOTALS	\$ 1,078,858	\$ 1,041,835

Note 4 - Changes in Capital Assets

The changes in capital assets are as follows:

	Balance 09/01/05	Additions	Deletions	Transfers	Balance 08/31/06
Nondepreciable assets:					
Construction In Process	\$ 14,430	\$ 12,774	\$ -	(14,430)	\$ 12,774
Land	209,907	-	-	-	209,907
Total Nondepreciable Assets	224,337	12,774	-	(14,430)	222,681
Depreciable Assets:					
Buildings and Improvements	186,562	-	-	-	186,562
Furniture and Fixtures	11,566	-	-	-	11,566
Equipment	147,547	44,033	-	-	191,580
Vehicles	162,268	-	-	-	162,268
Lines, Mains and Manholes	11,498,998	35,299	-	-	11,534,297
Lift Station Pumps	1,542,029	34,476	-	-	1,576,505
Lift Station Structures	1,460,409	313,449	-	14,430	1,788,288
Treatment Plant	1,272,961	45,851	-	-	1,318,812
Total Depreciable Assets	16,282,340	473,108	-	14,430	16,769,878
Less Accumulated Depreciation	(9,532,932)	(456,906)	-	-	(9,989,838)
Net Capital Assets	\$ 6,973,745	\$ 28,976	-	-	\$ 7,002,721

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

	Balance 09/01/04	Additions	Deletions	Transfers	Balance 08/31/05
Nondepreciable assets:					
Construction In Process	\$ 222,500	\$ 14,430	\$ -	\$ (222,500)	\$ 14,430
Land	209,907	-	-	-	209,907
Total Nondepreciable Assets	432,407	14,430	-	(222,500)	224,337
Depreciable Assets:					
Buildings and Improvements	186,562	-	-	-	186,562
Furniture and Fixtures	9,798	1,768	-	-	11,566
Equipment	132,687	42,295	(27,435)	-	147,547
Vehicles	151,243	11,025	-	-	162,268
Lines, Mains and Manholes	11,425,611	73,387	-	-	11,498,998
Lift Station Pumps	1,314,536	17,926	-	209,567	1,542,029
Lift Station Structures	1,460,409	-	-	-	1,460,409
Treatment Plant	1,223,475	49,486	-	-	1,272,961
Total Depreciable Assets	15,904,321	195,887	(27,435)	209,567	16,282,340
Less Accumulated Depreciation	(9,109,064)	(445,816)	21,948	-	(9,532,932)
Net Capital Assets	\$ 7,227,664	\$ (235,499)	\$ (5,487)	\$ (12,933)	\$ 6,973,745

Depreciation of \$456,906 and \$445,816 was charged to expense for 2006 and 2005, respectively.

Note 5 Bonds Payable

The following is a summary of long term debt transactions of the District:

	1977 General Obligation Bonds	1977 Revenue Bonds	1985 Revenue Bonds	Total
Balance September 1, 2005	\$ 815,000	\$ 1,005,000	\$ 140,597	\$ 1,960,597
Additions	-	-	-	-
Retirements	(45,000)	(65,000)	(37,454)	(147,454)
Balance August 31, 2006	\$ 770,000	\$ 940,000	\$ 103,143	\$ 1,813,143

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

	1977 General Obligation Bonds	1977 Revenue Bonds	1985 Revenue Bonds	Total
Balance September 1, 2004 \$	860,000	\$ 1,065,000	\$ 176,268	\$ 2,101,268
Additions	-	-	-	-
Retirements	(45,000)	(60,000)	(35,671)	(140,671)
Balance August 31, 2005 \$	<u>815,000</u>	<u>\$ 1,005,000</u>	<u>\$ 140,597</u>	<u>\$ 1,960,597</u>

Bonds in the amounts of \$1,818,143 and \$1,960,597 at August 31, 2006 and 2005, respectively, consisted of the following individual issues:

1. Revenue bonds (1977 Issue and 1985 Issue) in the amount of \$1,043,143 and \$1,145,597 at August 31, 2006 and 2005, respectively, accrued interest at 5% per annum with annual payments of principal and interest due on April 12th. These bonds are secured and payable solely from the income to be derived from the operation of the system after provision has been made for payment of the reasonable and necessary expenses for administration, operation, and maintenance.
2. General obligation bonds in the amount of \$770,000 and \$815,000 at August 31, 2006 and 2005, respectively, accrued interest at 5% per annum with payments of principal and interest due annually on December 12th. These bonds are secured by a special tax in excess of all other taxes on all the property subject to taxation within the territorial limits of the District, under the constitution and laws of Louisiana, sufficient in amount to pay the principal and interest thereon.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Maturity schedules consist of the following:

Revenue Bonds (1977 Issue)		Revenue Bonds (1985 Issue)		General Obligation Bonds	
Maturity Dates	Principal	Maturity Dates	Principal	Maturity Dates	Principal
April 12,		April 12,		December 12,	
2007	65,000	2007	39,327	2007	50,000
2008	70,000	2008	41,293	2008	50,000
2009	70,000	2009	22,523	2009	55,000
2010	75,000		-	2010	55,000
2011	80,000		-	2011	60,000
2012-2016	470,000		-	2012-2016	340,000
2017	110,000		-	2017-2018	160,000
	<u>\$ 940,000</u>		<u>\$ 103,143</u>		<u>\$ 770,000</u>

The aggregate principal payments and sinking fund requirements of indebtedness, including interest of \$587,224 are as follows:

Fiscal Year	Sinking Fund Requirements
2007	244,984
2008	244,234
2009	222,399
2010	197,500
2011	201,000
2012-2016	1,002,750
2017-2018	287,500
	<u>\$ 2,400,367</u>

Note 6 - Property Taxes

A tax on real property and business personal property located within the boundaries of the District is levied by the District. Property taxes are levied by the District on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Property Tax Calendar

Assessment Date	January 1, 2005
Levy Date	November 15, 2005
Total Taxes Are Due	December 31, 2005
Lien Date	January 1, 2006

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

All property within the District was assessed 1.10 mills in 2005 for the payment of general obligation bond principal and interest of the District.

Note 7 - Long-Term Leases

On August 1, 1984, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. The lease contains a renewal option for one additional 15 year term. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The cost to the District was \$273,618 and \$267,094 for the years ended August 31, 2006 and 2005, respectively. The agreement also provides for the sharing of costs to upgrade the facility during the term of the lease. Capital upgrading costs to the District were \$45,851 and \$49,489 for the years ended August 31, 2006 and 2005, respectively.

Note 8 - Commissioners' Fees

The members of the Board of Commissioners are paid \$60 per regular meeting and \$25 per special meeting. Amounts due to board members for meetings attended during the year ended August 31, 2006 were as follows:

<u>Commissioner</u>	<u>Regular Meetings</u>	<u>Special Meetings</u>	<u>Compensation</u>
Fred Hall - President	12	-	\$ 720
Don Leach - Vice President	12	-	720
Tony McLain - Secretary	10	-	600
Total			<u>\$ 2,040</u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Commissioners are paid after year end for the meetings that were attended during the prior year.

Note 9 - Franchise Fee

The District entered into a franchise agreement with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. The franchise fees were \$31,807 and \$21,233 for the years ended August 31, 2006 and 2005, respectively.

Note 10 - Defined Benefit Pension Plan

Substantially all employees of the District participate in the Parochial Employees' Retirement System of Louisiana (the System), a defined benefit, multiple-employer public employee retirement system. All full-time employees of the District are eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service, age 55 with 25 years of credited service, or with 30 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary for each year of credited service. Final average salary is the employee's average salary over the highest thirty six consecutive months of credited service. The system also provides death and disability benefits. Benefits are established by state statute.

Funding Policy: Contributions to the System include one-fourth of one percent of the taxes shown to be collected by the tax rolls of each parish (excepting Orleans and East Baton Rouge). State statutes require covered employees to contribute a percentage of their salary into the System. The District's contribution is determined by an actuarial valuation and is subject to change each year based on the results of the valuation for the previous year. For the calendar year 2006 and 2005, covered employees were required to contribute 9.50% of their salary to the plan. The District was required to contribute 12.75% of employee salaries to the plan during 2006 and 2005. The District's contributions to the plan were \$28,565, \$29,278 and \$24,782, for the years ended August 31, 2006, 2005, and 2004, respectively.

The system issues an annual, publicly available, financial report that includes financial statements and required supplementary information covering the System. The report may be obtained by writing the Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, LA 70898-4619 or by calling (504) 928-1361.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Note 11 - Related Party Transactions

The District is covered by certain umbrella insurance policies including liability and property, worker's compensation, and group health insurance policies through the Police Jury. During 2006 and 2005 the District paid the Police Jury \$94,905 and \$78,200, respectively for this coverage.

Note 12 - Risk Financing Activities

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage, and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 that is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$150,000 deductible with an aggregate coverage of \$2,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds had approximately \$1,533,653 and \$1,474,310 in net assets as of December 31, 2005 and 2004, respectively. The District contributed \$58,585 and \$49,662 into the fund during the years ended August 31, 2006 and 2005, respectively.

Note 13 - Concentrations of Risk

All of the accounts receivable represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$20 for each new customer being serviced by the system. Failure of the District's customers to perform as required could impact the District's ability to collect \$ 162,462 after applying the security deposits of \$109,650.

Supplemental Information

West Ouachita Sewerage District No. 5
Schedule of Changes in Restricted Assets
For The Year Ended August 31,

	2006				
	Bond and Interest Redemption	Revenue Bond Reserve	Sewer Replacement and Extension Funds	Customer Deposits	Total
Balance - September 1, 2005	\$ 223,471	\$ 303,012	\$ 409,983	\$ 105,369	\$ 1,041,835
Add:					
Property tax collections and interest	69,963	-	-	-	69,963
Transfer from operating account	156,000	7,799	-	-	163,799
Interest earned	8,819	13,689	18,602	4,697	45,807
Total funds available	458,253	324,500	428,585	110,066	1,321,404
Less:					
Payment of principal and interest	(242,546)	-	-	-	(242,546)
BALANCE -AUGUST 31, 2006	<u>\$ 215,707</u>	<u>\$ 324,500</u>	<u>\$ 428,585</u>	<u>\$ 110,066</u>	<u>\$ 1,078,858</u>

	2005				
	Bond and Interest Redemption	Revenue Bond Reserve	Sewer Replacement and Extension Funds	Customer Deposits	Total
Balance - September 1, 2004	\$ 260,314	\$ 288,754	\$ 396,751	\$ -	\$ 945,819
Add:					
Property tax collections and interest	47,045	-	-	-	47,045
Deposits by customers	-	-	-	13,949	13,949
Transfer from operating account	156,000	7,799	4,260	-	168,059
Transfer from M-N Utilities	-	-	-	91,420	91,420
Interest earned	3,073	6,459	8,972	-	18,504
Total funds available	466,432	303,012	409,983	105,369	1,284,796
Less:					
Bank service fees	(165)	-	-	-	(165)
Payment of principal and interest	(242,796)	-	-	-	(242,796)
BALANCE -AUGUST 31, 2005	<u>\$ 223,471</u>	<u>\$ 303,012</u>	<u>\$ 409,983</u>	<u>\$ 105,369</u>	<u>\$ 1,041,835</u>

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF INSURANCE COVERAGE
AUGUST 31, 2006
(UNAUDITED)

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Employees Midwest Employers Casualty Co.	Workmen's Compensation Employer's Liability 1/1/06 to 1/1/07	Statutory *
Multi-Peril St. Paul Fire & Marine Ins. Co.	Comprehensive General Liability 1/1/06 to 1/1/07	\$2,000,000 - Aggregate * \$1,000,000 - Per Occurrence
Vehicles St. Paul Fire & Marine Ins. Co.	Auto Liability 1/1/06 to 1/1/07	Combined Single* Limit \$1,000,000
3 Commissioners and All Employees St. Paul Fire & Marine Ins. Co.	Fidelity Bond 1/1/06 to 1/1/07	\$50,000 Per* Occurrence \$25,000 Deductible

This schedule, prepared from the policies, is intended only as a descriptive summary; no expression of opinion as to the adequacy of coverage is intended.

- * Policy is covering the Ouachita Parish Police Jury, which includes West Ouachita Sewerage District No. 5.



(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

Luffey
Huffman
& Monroe

Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1983-2002)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the accompanying financial statements of the business-type activities of **West Ouachita Sewerage District No. 5** (the District) (a component unit of the Ouachita Parish Police Jury) as of and for the years ended August 31, 2006 and 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 06-01 and 06-02.

This report is intended solely for the information and use of management of the District, its primary government, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "Ruffey Haffner & Hensel".

(A Professional Accounting Corporation)

February 1, 2007

**WEST OUACHITA SEWERAGE DISTRICT #5
SCHEDULE OF FINDINGS
AUGUST 31, 2006**

06-01 – Ethics Violation

Finding:

During the fiscal year ended August 31, 2006, Management of the District became aware that it had inadvertently committed an ethics violation by hiring the District Manager's brother as an employee. The Louisiana Code of Governmental Ethics R.S. 42:1119 prohibits the hiring of an immediate family member of an agency head. Since the District Manager is considered the agency head of the District, his brother is prohibited from working for the District. Once the District Manager became aware of the violation, he self reported the instance to the Louisiana Board of Ethics.

Recommendation:

It is our recommendation that management consult with legal counsel or other appropriate governing bodies before hiring family members of employees or board members.

Management Corrective Action Plan:

We consulted with legal counsel and they were incorrect. We will consult with our auditors or the Ethics Board in the future.

06-02 – Improper Employee Compensation

Finding:

During the course of our audit, it was discovered that the District had paid an employee \$1,650 for janitorial services, performed outside of the employee's stated duties, but had not reported the payments as wages. Since the services were provided after normal working hours, the employee should have been compensated at overtime rates for all hours worked in excess of forty normal working hours for the weeks in which the services were performed. This oversight has led to the underreporting of wages paid to the employee, failure to withhold and remit the related payroll taxes, and the underreporting of compensation to the Parochial Employees' Retirement System (PERS).

Recommendation:

It is our recommendation that the District record all payments to employees for services provided as salaries and wages and withhold and remit all applicable taxes. Also, the appropriate payroll tax returns and reports to the PERS should be amended to reflect the proper compensation with the related underpayments remitted with them.

**WEST OUACHITA SEWERAGE DISTRICT #5
SCHEDULE OF FINDINGS
AUGUST 31, 2006**

Management Corrective Action Plan:

We are in the process of amending returns and will follow this recommendation in the future.